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SECURITY INFORMATION

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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GENERAL

1. Attempts of Soviet Attaches to influence Iranian officers:

25X1X

[REDACTED] reports that the service attaches of the USSR in Iran are making clandestine efforts to influence Iranian Army and Air Force officers. The tactics of the Soviet attaches include attempts to arrange secret meetings with Iranian officers and a campaign aimed at discrediting the present Iranian Army and Air Force Chiefs of Staff. They are also warning the Iranians that the Russians will soon be in Iran, that they are now searching out their friends in Iran's armed services, and that they will deal harshly with those officers who do not cooperate. (C [REDACTED] 25X1A

25X1A

Comment: Despite the cohesive effects of the oil nationalization, the armed forces continue to be the government's primary tool for maintaining order in Iran. The armed forces, moreover, have long been a target of Tudeh penetration. While these Tudeh efforts have had some success among junior officers and enlisted personnel, the higher levels of command have not been affected.

The possibility that this report may have originated with Iranian Army circles anxious to impress upon US authorities the danger of an attempted Tudeh coup and the importance of continued US aid should not be excluded.

SOVIET UNION

2. New barracks being built in Letzlinger Heide training area of East Germany: It has been reported that extra barracks for Soviet troops are being constructed in forested areas in the Letzlinger Heide training area of East Germany. These barracks are capable of accommodating between thirty and

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25X1A

forty thousand troops. (S [REDACTED])

Comment: In the fall of 1951, additional barracks were constructed in the Eisenach-Ohrdruf training area and appear to be occupied on a year-round basis. This present construction in Letzlinger Heide may be intended to release other installations for the use of the East Germans; increase security from hostile observation; or prepare for augmentation of Soviet troop strengths in Germany, or any combination of these purposes.

EASTERN EUROPE

3. Czech Government protests eleven more alleged violations of airspace: The US Embassy in Prague summarizes a Czech Foreign Office note of 7 July protesting eleven alleged violations of Czech airspace between 1 and 15 June. The note drops the allegation contained in the 24 June note that two American jets had overflown Czechoslovakia on 4 June. The Embassy intends to inform the Czechs that the two jets in fact were their own MIG-15's.

The Czech note concludes with a charge that the authorities in the American Zone of Germany "intentionally and in a provocative manner persist in violating sovereign Czech airspace" and with a demand for cessation. No sanctions are mentioned.

25X1A (S [REDACTED])

Comment: This note adds to an exchange of charges and countercharges that has been increasing during the last three months.

Both the Czech Ministry of Foreign Affairs and American occupation authorities in Germany had previously protested what each claimed to be a border violation on 4 June by two jet planes of the other's air force.

4. Growing unemployment seen in Finland next fall and winter: Barring a substantial improvement in foreign markets there will be a significant amount of unemployment in Finland next fall and winter. This will be a direct result of the declining demand for the country's principal exports, wood and wood products, since the close of 1951. Prices for sawn timber have fallen by 40 percent in the last six months and both the United Kingdom and France have imposed drastic

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reductions in their price ceilings for Scandinavian pulp. As a result, the forest products industries are curtailing production all along the line.

A special committee headed by the Minister of Communications and Public Works was appointed by the Cabinet on 5 June to prepare a program for coping with the major unemployment problem anticipated for next winter. (R [REDACTED])

25X1A

25X1A

Comment: The stability of the present government is not likely to be affected to any great degree by the threat of increased unemployment in the wood and wood products industry. The work is largely seasonal, especially in regard to timber felling, where except during the postwar boom years there has always been chronic unemployment. The situation is expected to be alleviated somewhat by the inauguration of a long-term national development program for the northern area of the country which would promote development of roads and communications as a basis for eventual industrialization.

5.

Hungarian refugees report frontier population slated for deportation: A family of Hungarian refugees who escaped into Austria told Austrian authorities that four hundred cattle trucks of deportees had left St. Gotthard during the last few days. They asserted that the deportations are motivated by the desire of the Hungarian regime to make a no man's land between East and West, and to prevent escapes westward. (R London FBIS Ticker, 12 July 52)

Comment: Reports of deportations from the frontier area around St. Gotthard on the Austrian frontier apparently are confirmed by this account. Deportations have been reliably reported on the Yugoslav frontier as well as from the interior. Security reasons appear to be the main ground for frontier deportations.

6.

Serious mine fire in Hungary evokes criticism of mine safety measures: A Budapest newspaper reported on 9 July that a serious fire in one shaft of the important Tatabanya coal mines had been extinguished on 7 July after burning for nine days. A loss of only 120 tramcars of coal is claimed and miners assertedly have promised to make good the loss by 12 July. (R [REDACTED])

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Comment: A spectacular fire destroyed part of the Budapest opera house on the night of 21-22 June and rumors of sabotage were reported.

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7. USSR reportedly concerned over difficulties in Hungarian coal mining: The US Legation in Budapest has learned from a confidential source that lack of progress in mine mechanization is causing serious concern to Soviet and Hungarian leaders. A Soviet delegation attended the recent miners' trade union congress and visited mines.

The Hungarian press during the past week has repeatedly charged three coal mining enterprises with failure to raise their coal output. The failure is blamed largely on insufficient use and poor care of mine machinery.

Causes for insufficient mechanization of Hungarian mines, according to the US Legation in Budapest, are said to be the following: unsuitability of the mines for the use of machinery, unfamiliarity of workers and managers with the machinery, and especially the Russian habit of sending mine machinery without spare parts. (R [REDACTED]
12 July 52)

25X1A

Comment: The inability of the coal mining industry to fulfill its augmented quotas in 1951 and the first two quarters this year has brought repeated criticism. Lack of coal has plagued the whole economy this year and may possibly have led to the purging of the Hungarian Minister of Mining and Power. Further changes may result from the investigation by the Soviet delegation.

Great emphasis is currently being laid on speeding up coal production in the whole Orbit.

8. Hungary to use punitive measures to force surrender of farm products: Minister of Agricultural Procurement Imre Nagy, in a report appearing in the Hungarian Communist Party newspaper, stressed the early use of "punitive measures prescribed by law" to overcome delays in the collection of farm products during the current harvest. The newspaper also criticized the party leaders in one county for permitting many kulaks to pass as middle peasants and thus avoid the higher surrender quotas assessed against kulaks. The application of punitive measures against kulaks and other peasants failing to meet their obligations is reported in the press.

Nagy recently was quoted as stating that the "backward character of agricultural production" could be "basically liquidated only by uniting small farms in large-scale co-operative farms." The US Legation in Budapest deduces from

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this statement and other evidence that an early revival of all-out collectivization may be expected, perhaps in August.
(R [REDACTED]) 25X1A

Comment: The collection of crop surrender quotas from recalcitrant peasants is a problem of long standing in Communist-dominated countries. In Hungary several cases of exemplary punishment of both kulaks and collectives have been reported recently. The government has attempted to hasten harvesting activities in order to secure the maximum planting of fodder crops. Replanting is reportedly satisfactory in only one of the nineteen Hungarian counties at the moment.

Increasingly strong indications have pointed toward the revival of all-out collectivization very soon.

25X1C

9. Poles acquire industrial diamonds through Belgian agent: According to [REDACTED], the Polish Legation in Brussels has recently been acquiring industrial diamonds of all types for cash payments in dollars. An Antwerp diamond merchant who also acts as purchasing agent for the Russian Trade Delegation in Brussels has been buying the diamonds for the Poles, receiving payment in cash from an intermediary.
(S [REDACTED])

25X1A

Comment: Great efforts are being exerted by the Polish Government, in the face of Western import controls, to secure by extra-legal methods goods for industry which are impossible to obtain through normal trade channels.

10. Polish Government recruits women to help the manpower shortage: The Polish Government has instituted measures to recruit large numbers of women for work in industry, the building trade, transportation, and communications. The American Embassy in Warsaw reports that various ministries are issuing instructions for fixing percentages of women hired, usually more than half of the total number of workers.

Polish women will replace many male lathe and drill operators, railroaders, packers, waiters, salesmen, clerks, publicists and cashiers. (R [REDACTED])

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Comment: In his recent speech to the Seventh Plenum of the Central Committee of the Polish Communist Party President Bierut drew attention to the manpower shortage in Poland, and the need to undertake new measures, such as the recruitment of

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women for work outside agriculture. The Polish Government is apparently losing no time in putting Bierut's proposals into effect.

11. Rumania continues collectivization drive: The American Legation in Bucharest reports the arrival of 42 Soviet agricultural experts who apparently constitute a planning group for further socialization of agriculture.

During the past week, Scanteia, the official party newspaper, mentioned an "existing 1,400 kolkhozes," which means an increase of 35 since the beginning of May. As part of the anti-kulak drive the official organ of the Rumanian Union of Working Youth, discussing a cabinet decision on the new school year, insisted that not a single kulak's child should be granted a scholarship or exempted from payment of school fees.

25X1A

(C [REDACTED])

Comment: These events, in addition to almost daily announcements of punishment meted out to kulaks, are further indications of the continuing collectivization drive in Rumania. At the same time, members of the Legation have observed much uncut grain and no increase in the amount of agricultural machinery being utilized in the chief grain-growing areas of the country.

12. Purged Rumanian leaders still in evidence: According to the American Legation in Bucharest, Teohari Georgescu, deposed Rumanian Minister of the Interior, apparently continues to live under close guard near two members of the Legation. Vasile Luca is seen walking alone daily by [REDACTED]

25X1C

[REDACTED] reported that he saw Ana Pauker enter the Foreign Office with several men on 10 July.

25X1C

The Legation also reports that former Soviet Ambassador Kavtaradze left Bucharest by plane on 11 July. The fact that he was seen off by the new Rumanian Foreign Minister, Simion Bughici, and other high officials and Orbit diplomatic colleagues, may indicate that he is not in official disgrace. His destination was not known. (C [REDACTED])

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R [REDACTED]

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Comment: These reports serve to dispel for the time being the reports in the Western press that the purged Rumanian leaders have committed suicide or been sent to the Soviet Union.

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13. Yugoslav propaganda broadcast alludes to need for revolution in Albania: Radio Belgrade in a broadcast to its home audience commenting on the oppressive and depraved conditions in Albania, mentions the desirability of a popular internal revolt against the Communist regime of Enver Hoxha. (R FBIS Belgrade, 10 July 52)

Comment: Yugoslav propaganda attention to the need for an internal revolt is notable in light of the strong Yugoslav capabilities for the subversion of the Hoxha regime by means of a palace revolution disguised as a genuinely popular uprising.

Marshal Tito is organizing and exploiting a large number of Albanian refugees in Yugoslavia, and he has reportedly made contact with Albanian exile leaders abroad in an attempt to assume the leadership of the struggle for Albanian "liberation." However, there are no clear indications that Tito will seriously attempt to disturb the status quo in the Balkans at the present time.

14. Belgrade continues to pursue economic reorganization and decentralization: According to American officials, the major reorganization and further decentralization of the state's economic control machinery is being rapidly effected and is resulting in considerable confusion. All Economic Ministries and Councils, with the exception of the Ministries of Finance, have been abolished at both the Federal and Republic levels. The Ministers and Presidents of these abolished economic agencies will retain their individual authority and form a "Collegium of Ministries" which will apparently serve as the governing body of the new Economic Council.

Press reports indicate that reorganization at the Republic level is being expedited. Some 100 industrial and agricultural directorates have been abolished, and their personnel assigned to local industry and government. Despite or because of this widespread decentralization, the National Bank retains its recently strengthened controls over individual industries as well as over the entire economy. (S

25X1A

Comment: The Tito regime describes this reorganization as only an interim measure on the path to pure Marxism. Yet the birth and development of this program of compounded idealism and empiricism will be costly in terms of economic efficiency and personal security. Recent reports from American observers note that this administrative reorganization has created a considerable degree of economic anarchy and confusion among those officials who fear the consequences of a withering away of the state apparatus.

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FAR EAST

15. Clemency demanded for Japanese war criminals: The Japanese Government is under increasing pressure to obtain some clemency for Japanese war criminals, according to Ambassador Murphy. The Diet opposition is making this a political issue, a tactic which has evoked widespread grass roots response and has forced even Liberal Party Diet members to attack the government for inaction.

Japan's Foreign Minister Okazaki has expressed fear that unless an early reply is received from various governments approving paroles for 54 of the war criminals, including eight convicted by the United States, he may not be able to prevent the Cabinet from passing a resolution calling for immediate release of all war criminals. (C [REDACTED] 25X1A 11 July 52)

Comment: Under the terms of the peace treaty, Japan must get the consent of the Allied nation which imposed the sentence prior to granting parole or reducing sentence.

In an election year the Yoshida government cannot afford to ignore what appears to be an organized campaign to obtain amnesty for Japan's war criminals.

16. Panikkar reportedly considers Peiping potential world menace: The recently replaced Indian Ambassador to Peiping, K. M. Panikkar, is reliably reported to be convinced that Chinese Communist leaders are "unalterably determined to push the Communist revolution all the way."

25X1C

He also told [REDACTED] that a fully unified and armed China would be a "great menace to the world." (S [REDACTED] 25X1A 25X1A [REDACTED])

Comment: Panikkar's reported opinions on both these questions have varied widely.

While Panikkar has sometimes seemed aware that the Chinese Communist leaders are militant Stalinists with no good will toward any non-Communist government, he has often misled his government and the Indian public by encouraging the view that Chinese Communism is primarily an expression of Asian nationalism.

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17. Chinese employ forced labor in Manchuria: Chinese authorities in Tientsin were ordered to select 1,000 "reform-through-labor" prisoners for transfer to Manchuria, according to a [REDACTED] 25X1C The prisoners were to range from 20 to 45 years of age with sentences of 12 years or more.

It is said that these prisoners are part of some 15,000 who are being sent from all parts of China to open up new lands to cultivation in northern Manchuria. (S [REDACTED]) 25X1A

Comment: The use of forced labor in China has been admitted by the Communists, who prefer to employ the euphemism of "reform-through-labor." The prisoners are employed throughout the country, with the Communists apparently drawing on those with longer sentences for transfer to outlying provinces in the northwest and northeast.

The number of persons serving forced labor sentences is undetermined, but numerous reports suggest that there may be several hundred thousand.

18. 25X1C China importing its largest radio transmitter from USSR: [REDACTED]

Comment: This transmitter substantially exceeds in power anything known to be operated by the Chinese and it could provide additional facilities for overseas propaganda broadcasts.

19. 25X1X [REDACTED] says Tam government cannot last long: [REDACTED] was told by the [REDACTED] 25X1X that the government of Nguyen Van Tam is widely unpopular and cannot last long. The Consul comments that the [REDACTED] view is significant since he is "perhaps the most cautious man in Indochina." (C [REDACTED], 25X1A 12 July 52)

Comment: Conflicting reports have been received on the stability of the Tam government. The consensus of these reports is that, while Tam's close relationship with the French has won him an enduring unpopularity, the attitude of the Vietnamese population has changed somewhat during the first month of his premiership from one of intense hostility to one of watchful waiting.

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20. Vietnamese information chief reportedly seeking downfall of prime minister: [REDACTED] says that Minister of Information Giao showed him a secret directive from Tam to all ministers to consult with their French "opposite numbers" before taking any major decision or action. 25X1X [REDACTED] believes this disclosure is part of a campaign by Giao to discredit Tam and to secure his ouster. (S [REDACTED]) 25X1A

Comment: Although this information has not been authenticated, it is consistent with Tam's long record of close collaboration with the French. There have also been reports that Bao Dai, whose personal entourage includes Giao, named Tam premier in June in order to ruin his reputation and to prepare the way for a more truly nationalist government.

21. Burmese Army attacks on civilians continue: During the past month there has been a rash of serious breaches of discipline in the Burmese Army, according to the American Embassy in Rangoon. The most recent incident was the destruction of a village in Arakan resulting in the death of 61 civilians, including 51 women and children. Commander in Chief Ne Win is personally investigating this incident and the War Office has issued strict orders designed to prevent such actions in the future.

25X1X [REDACTED] believes that over-all discipline in the army is good, but that such deeds are to be expected occasionally from isolated garrisons manned by inexperienced officers. (C [REDACTED]) 25X1A

Comment: Numerous Karen and Burmese villages throughout lower Burma have suffered the same fate as this Arakan village during the last four years. These brutalities are partially responsible for the continued hostility towards the government.

22. Increased insurgent activity in Burma reported: The American Embassy in Rangoon reports that insurgent operations highlighted press and military reports during the past week. Karen nationalists blew up Rangoon's main water supply line for the eighth time in two years and destroyed two railway bridges. Burmese Communist rebels were reported to have conducted serious raids along the Rangoon-Mandalay railway.

The Embassy comments that the insurgents "are making hay" against lightly-held areas while government forces are being redistributed. (C [REDACTED]) 25X1A

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Comment: This report indicates that the prediction by high Burmese officials that the main insurgent groups would be defeated by the end of the rains is highly optimistic.

23. Burmese Supreme Court approves nationalization of minority lands: The Burmese Supreme Court has ruled that the Land Nationalization Act is applicable to the semi-autonomous frontier states where very few Burmans live. The American Embassy in Rangoon comments that this finding is an assertion of the Burmese Government's authority over large land-holding in those areas, and that it is encouraging to groups desiring their division. (C [REDACTED]) 25X1A

Comment: This decision by a court which has only Burman members comes at a time when there have been indications of growing resentment among the frontier people toward the Burmese Government. Agitation for land reform in areas inhabited by ethnic minorities has been conducted chiefly by Burman Socialists and Communists.

24. Burma wants to purchase arms in United States: The American Embassy in Rangoon has been reliably informed that the Burmese Government is prepared to allocate ten million kyats (slightly more than 2,000,000 dollars) for the purchase of arms and ammunition in the United States. These arms are to be used by the police and village militia. The Embassy is anticipating an official approach. (C [REDACTED]) 25X1A

Comment: The Burmese are currently making a strenuous effort to buy military equipment, particularly small arms. There have been reports that small arms entering Burma are issued to irregular forces controlled by the Socialist Party and that they have thus become a source of increased instability.

SOUTH ASIA

25. Ceylon seeks US rice supplies to alleviate critical shortage: Ceylon is facing a rice shortage which is expected to reach crisis proportions in August. British and Ceylonese officials are convinced that the United States is the only possible source for emergency supplies, and Britain is prepared to authorize 20 to 25 million dollars for the purchase. The American Embassy in London favors supplying rice and wheat flour to Ceylon for the furtherance of goodwill in Asia. (C [REDACTED])

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Comment: This is the second rice crisis Ceylon has experienced this year, having resolved the first by borrowing Burmese rice from Japan. Ceylon has been unable to compete for rice with the larger consuming countries either in price or with offers of dollars. Although Britain is critically short of dollars, Ceylon's position as a heavy net contributor to the sterling area dollar pool strengthens its claim on common dollar holdings in its present emergency.

NEAR EAST - AFRICA

26. British Middle East army units to hold maneuvers with the Arab Legion in Jordan: Jordan has agreed to permit units of the British Middle East Land Forces to hold their annual maneuvers this autumn in Jordan in conjunction with the Arab Legion. (S [REDACTED]) 25X1A

Comment: British units from the Canal zone staged a parachute dropping exercise with elements of the Arab Legion in Jordan last May, and the usefulness of the operation may have encouraged the larger scale plans for this fall. In recent years the British have tripled the amount of their annual subsidy to the Arab Legion, which they consider the best native fighting force in the Middle East.

27. Agreement on Tangier reforms reported: The American Diplomatic Agent in Tangier reports that there seems to be general agreement among the powers represented on the Committee of Control as to the nature of the changes to be made in the administration of the International Zone. The two chief Spanish objectives, command of the gendarmerie and revival of an independent intelligence bureau under Spanish control, are expected to be met. In addition, two new deputy administrator posts will be created, one to be assigned to a Spaniard and the other to a British representative. The number of Italian representatives on the advisory Legislative Assembly will be restored to three. (C [REDACTED]) 25X1A

Comment: These changes are essentially those which France and Spain were reported last month to have agreed upon.

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WESTERN EUROPE

28. Continued strife in the Trieste Communist Party reported: During a meeting of the Central Committee of the Communist Party of Trieste on June 16, Vittorio Vidali attempted to justify the purge of an undisclosed number of members for deviationism on the grounds that he had been ordered to reorganize the party along military lines. Vidali revealed one of the principal causes for party dissension by stating that it is necessary to place international Communist objectives ahead of national feelings.

25X1C [REDACTED] states that recent purges in the Stalinist party in Trieste and Vidali's intransigent attitude since the Trieste elections have created "strong discord and dissidence" in the party hierarchy. This has reportedly resulted in the postponement of the annual Party Congress from July to December. (S [REDACTED] 25X1A

25X1A

Comment: The relatively poor showing of the party in the predominately Slovene hinterland of Trieste and its equivocal stand on the independence issue provide fertile ground for continued intra-party strife. Moreover, a major shift in party policy from a mass appeal to the militant, hard-core approach may indicate preparation for the formal abandonment of the cause for independence for Trieste and closer relations with the Italian Communist Party.

25X1C

29. Soviet authorities suggest West Germany pay for Berlin cable: The [REDACTED] of the Allied High Commission has received a letter from the East German Soviet Control Commission suggesting that the Federal Republic pay for the use of the Allied telephone and telegraph cable between Berlin and West Germany.

25X1X [REDACTED] believes that this suggestion represents a new tactic by Soviet authorities in their Berlin harassing campaign. He feels that the suggestion should be rejected, since the Allies have always avoided any inference that the Soviets could demand such payment. (S [REDACTED] 25X1A

Comment: Early in June, both the British and American Governments were dunned by the East German Government for 18 million dollars for the use of the cable during the last seven years. Should the cable be cut because the Allies refuse to pay, West Berlin could, without too much inconvenience, use radio facilities to communicate with West Germany.

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Meanwhile, the Allies have learned that another threatened harassing measure is not likely to be carried out. After careful investigation, engineers now believe that if East German authorities should block West Berlin's sewage outlets, East Berlin's sewage would be equally affected.

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31. French politicians see Pinay's downfall certain this year:
A confidential survey by the US Embassy in Paris shows that spokesmen for the major French political parties are unanimous in the belief that the Pinay government will fall before the end of the year. These politicians expect a similar rightist-dominated coalition to replace the present government when the failure of Pinay's economic policies becomes more apparent.

They envisage no fundamental change in foreign policy, but agree that Schuman will not head a ministry; Bidault is mentioned either as his successor or as the next premier. (C [REDACTED] 25X1A 11 July 52)

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Comment: Although Pinay has so far successfully confounded his critics, his program stops short of the drastic reforms necessary to stabilize the French economy.

Dissatisfaction with Schuman has become increasingly vocal in France during the past few months. Bidault's appointment to the Foreign Office would assure continuity of the program for which he and Schuman have carried the responsibility since 1945, but his failing health makes his political future uncertain.

25X1X

32. 25X1X [redacted] now disillusioned on results of Moscow Economic Conference: A [redacted] in Moscow states that a Soviet Ministry of Trade official has implied that the trade proposals made to France by Nesterov, leading Soviet delegate at the Moscow Economic Conference, were not based on realities and were only so much propaganda. [redacted] adds that there seems to be some friction between Nesterov and the Soviet Ministry of Foreign Trade. The USSR has since the conference refused to act on French requests for Soviet grain. 25X1C

The American Embassy in Moscow comments that should France, Italy, and Pakistan fail to obtain Soviet commodities offered at the conference, there might be an exploitable case against the USSR if it sponsors another international economic conference. The outcome of British-Soviet and British-Chinese trade deals could be decisive in the final evaluation of the Moscow Economic Conference. (C [redacted]) 25X1A

Comment: This is the first indication from a Soviet source that the Moscow Economic Conference was not concerned with the realities of Soviet trade relations outside the Orbit.

This report contrasts sharply with the initial French enthusiasm over the value of the Moscow Economic Conference as a means to improve French-Soviet trade relations. The French Government reopened trade negotiations with the USSR as a result of an offer of grain to the French delegation.

33. Austrian East-West trader seeks import permit for steel rolling mill: Johann Haselgruber, Austria's most notorious procurer of scrap metals for Orbit purchasers, has approached the Austrian Government for an import permit for a 137,000-dollar secondhand Swedish rolling mill. The mill, now at the small scrap iron processing plant which Haselgruber purchased in the Soviet zone several months ago, is held under bond pending issuance of the permit.

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Despite Socialist opposition, the Austrian Government is reportedly inclined to approve Haselgruber's application. The American Embassy in Vienna will file a strong protest. (S) 25X1A

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Comment: Haselgruber, whose international operations suffered a setback last year with the trial of some of his collaborators in Germany, is again frequently reported as the organizer of dubious deals. Because of his good connections with the Soviet occupation forces and perhaps with the People's Party, and because of his usefulness to Austrian buyers as an intermediary with the Russians in Austria, he has so far escaped Austrian prosecution. The Socialists, who are frequently critical of shady deals in the Austrian scrap market, may be expected to carry their opposition to the public through the party press.

34. De Gasperi expected to push for substantial revision of Italian electoral law: In order to maintain a working majority for the hard-pressed centrist parties after the 1953 parliamentary elections, Premier de Gasperi is expected to use the threat of drastic revision of the electoral law to force the minor democratic parties to accept a somewhat less extreme proposal.

The two proposals have been submitted for De Gasperi's study by a special committee of the Christian Democratic Party, the American Embassy reports. The first would give three-fourths of the seats in Parliament to the bloc winning an absolute majority of the popular vote. Should no bloc obtain a majority, a new election would be held for the top two contenders. The second and more drastic proposal would permit proportional representation for all parties in cities with populations over 150,000 but elsewhere would provide for single-member constituencies.

According to the Embassy, the first system would give the Christian Democrats 52 percent of the seats and double the present strength of the minor democratic parties, giving them 22 percent of the seats. The remainder would go to the extremist parties, with the Communist-Socialist bloc being reduced to less than half its present strength.

The second system, on the other hand, would result in the virtual extinction of the small parties, whose candidates would be restricted to a few cities. The Communist-Socialist bloc would probably enjoy much the same strength it has now, while the Christian Democrats would still get an absolute majority.

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The Embassy observes that if the minor democratic parties agree to the first proposal, they will try to reduce the winning bloc's majority in Parliament from three-fourths to two-thirds. (Factual data from: S [REDACTED])

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LATIN AMERICA

35. Haiti charges American mismanagement in SHADA sisal corporation: Strong criticism has been launched in Haiti against SHADA and its American management following a recent announcement that the corporation is in financial difficulty and that the government may have to take over credit payments due the Export-Import Bank. The government has pointed to tax and rent concessions and other advantages on the one hand, and to high sisal prices on the other hand in its charges of incompetence. The management has countered by pointing to the sharp decline in world market sisal prices and to increased operating costs.

The Haitian Government reportedly wishes to terminate the present management in which the United States is indirectly involved and to propose Haitian administration of SHADA with American technical assistance, possibly under the Point IV program. The departure of a Haitian delegation to Washington to discuss this proposal has been postponed pending the arrival of an Export-Import Bank mission for an on-the-spot investigation.

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EASTERN EUROPE

1. Czechoslovakia attempts to rent West German tank cars: Czechoslovakia is reportedly negotiating to rent 300 tank cars for six months from a West German firm. (S [REDACTED], 25X1A
25X1A [REDACTED]. FOR CRITICAL SECURITY REASONS this report is not to be further transmitted within the United States or beyond the borders of the United States without the express permission of the releasing office.)

Comment: These cars would probably be used for shipments, now substantially behind schedule, of crude oil from Austria to Czechoslovakia. Czechoslovakia has the capacity to build this number in a relatively short time, but increased production of tank cars beyond present levels would require some diversion of plant capacity and materials from other production, probably military.

NEAR EAST - AFRICA

2. 25X1X British persist in support of present Greek Government: [REDACTED] asked 25X1X him on 10 July what the American attitude would be if the present Greek Government were forced by the defection of a few of its supporters to depend on the Communist front faction in Parliament to stay in power.

25X1X [REDACTED] said Lord Mountbatten had advised him that he would not receive opposition leader Papagos during his forthcoming visit to Greece unless the interview were approved by King Paul. (S [REDACTED]) 25X1A

25X1X Comment: The [REDACTED] question was undoubtedly stimulated by current opposition attempts to cause the government's fall because of the defection of its parliamentary supporters. The British, however, have tended to side with the government and the Palace

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against Papagos, who is favored by the United States. The refusal of Lord Mountbatten to interview Papagos will spur Greek efforts to exploit any difference of opinion between American and British representatives in Greece.

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